

Federal Probe of Baby Bells Urged

Comments by chairman of Qwest raise questions about the competitive zeal of the regional phone companies.

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Two members of Congress called on the Justice Department on Wednesday to launch an antitrust investigation of the failure — possibly the refusal — of the regional Baby Bell companies to compete against each other.

U.S. Reps. John Conyers Jr. (D-Mich.) and Zoe Lofgren (D-San Jose), seizing on a top executive's public comments in October, allege that the Baby Bells have refused to enter each other's local service markets even though the 1996 Telecommunications Act was designed to encourage such competition.

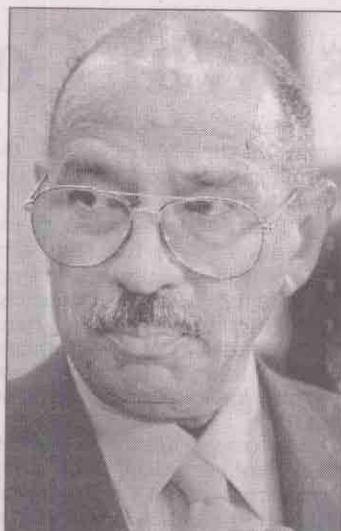
In a letter to Atty. Gen. John Ashcroft, the two point out that "any arrangement to carve up market territories would not be permitted under antitrust law."

Conyers and Lofgren said they were troubled by a statement made by Richard Notebaert, chairman of **Qwest Communications International Inc.** In a talk with Chicago Tribune reporters, he was quoted as saying that it would be fundamentally wrong to compete against, say, **SBC Communications Inc.**, noting that it "might be a good way to turn a quick dollar but that doesn't make it right."

Spokesmen for San Antonio-based SBC and Qwest said that the quote did not refer to overall competition and that the companies are competing against each other. Qwest covers local service in 14 Western states and SBC operates in 13 states includ-



Richard Ellis



Associated Press

ANTITRUST LAW: Reps. Zoe Lofgren and John Conyers say "any arrangement to carve up market territories" would be illegal.

ing California, where its unit formerly was known as Pacific Bell.

But they also said they aren't offering local service to residential and small business customers outside their territories because the regulated pricing system is not workable and could change soon under a pending review by the Federal Communications Commission.

"We compete vigorously outside our market for long-distance and local service, long-haul [data service] and [high-speed] DSL service," said Billy Myers, a Qwest spokesman. "But we're not competing for residential and small business customers outside our market because of the way rates are structured."

Consumer groups, though, said that an antitrust investigation of the four Baby Bells, which also include **Verizon Communications Inc.** and **BellSouth Inc.**, is warranted.

"The Baby Bells had no intention of competing against each other," said Regina Costa, re-

are offering California residents calling plans that are only marginally competitive to what SBC is offering. SBC covers 78% of the state and controls 90% of the local access lines. The Baby Bells, ensured of monopolies in their regions, were set up in the 1984 break-up of AT&T to handle local service only. Since then, they have grown in size and power, consolidating from the original seven companies.

search director at the Utility Reform Network. "Residential and small business customers are key. The telecom act means that ordinary customers are supposed to benefit from competition."

Michael Shames, executive director of the Utility Consumers' Action Network, said that Conyers and Lofgren have the right idea but for the wrong reason. Notebaert, he said, was talking about not engaging in local residential business that could be scuttled if regulators change the rules, which many believe is likely in the next few months.

"What is a compelling argument for antitrust review is that, without the regulatory guarantee of a competitive playing field, new entrants are fearful of the incumbents' competitive advantage," Shames said. "If I were a large company, I would not want to go up against these monsters."

As it is, he said, **AT&T Corp.** and **WorldCom Inc.**'s MCI unit